

**ICC Docket No. 01-0423 -- Phase II**  
**Response of Commonwealth Edison Company**  
**To Staff Data Request ML2-1**  
**To Commonwealth Edison Company**  
**Dated December 6, 2002**

**ML2-1**

Please re-calculate the Company's proposed Rider HVDS with the following changes in assumptions:

- Recalculation of the Annual Level Premium Carrying Charge ("ALPCC") in ComEd Exhibit 13.2, page 92 using the cost of capital approved by the Commission in this docket and shown in the Interim Order on Page 117;
- Changes in any other factors in the ALPCC affected by the Liberty Consulting Group Report on their Audit of Commonwealth Edison T & D Revenue Requirement Dated October 4<sup>th</sup>, 2002 ("Liberty Report"); and
- An A & G add-on factor of 5.04% resulting from the Liberty Report (Liberty Report, page I39, (\$445,190 - \$223,172) divided by (\$7,926,241 - \$3,521,663)).

**RESPONSE:**

This response is provided in accordance with a clarifying telephone conversation with Mr. Luth on December 9, 2002. In that conversation, Mr. Luth agreed that changes in the ALPCC and A&G factor within the context of the Company's marginal cost of delivery services study were not required in order to respond to this data request. Instead, for purposes of this data request response, the cost of capital approved by the Commission in its Interim Order in this Docket, as well as changes in allowed A & G expenditures proposed in the Liberty audit report, are to be reflected in determining the revised marginal cost-based HVDS credit by multiplying the marginal HVDS credit set forth in ComEd Ex. 50.0 CR, Attachment B by the value determined by dividing the jurisdictional revenue requirement of \$1,374,000,000 proposed in the Liberty audit report by the marginal revenue of \$2,235,000,000 provided in ComEd Exhibits 13.3, 32.0

Attachment C, and ComEd Ex. 50.0 CR, Attachments C and D (\$1,374,000,000/\$2,235,000,000).

As shown in Attachment ML2-1A hereto, when using monthly demands and the above assumptions, the HVDS credit equals \$1.74/kW. As shown in Attachment ML2-1B hereto, when using ratcheted demands and the above assumptions, the HVDS credit equals \$1.30/kW. Please note that the calculations in the rate design spreadsheets provided in Attachments ML2-1A and ML2-1B incorporate assignment of Liberty's proposed revenue requirement to customer classes in accordance with the embedded cost of service study approved by the Commission in its Interim Order in this Docket.

Please also note that Liberty's proposed revenue requirement is in error in two different respects. First, Liberty committed mathematical errors (omissions) in setting forth its proposed revenue requirement. Liberty failed to reflect its own finding that certain 2000 test year incentive compensation should be capitalized and included in distribution rate base. Liberty, given its own findings, also did not correctly calculate the size of its proposed adjustment to the accumulated depreciation reserve. That error had the result of understating the size of the adjustment, overstating the size of the reserve, and therefore understating the size of the distribution rate base. ComEd is studying whether the audit report contains further mathematical errors.

In addition, ComEd believes that many of the disallowances proposed in Liberty's audit report are incorrect in whole or in part given the applicable law and the relevant facts. ComEd has not concluded its review of the audit report, did not receive certain of Liberty's audit workpapers until December 13, 2002 (others were received on November 27, and December 6, 2002), and is engaged in the process of serving data requests on Liberty. ComEd will present its full findings in its initial testimony in this Phase II of this Docket.

**COMMONWEALTH EDISON COMPANY'S  
SIXTH SET OF DATA REQUESTS TO THE  
LIBERTY CONSULTING GROUP**

6.02 Please refer to the “Global Quantification” distribution operations and maintenance disallowance discussed in Chapters One and Two of the Audit Report. Please explain why the figure of \$90,363,000 is used for this disallowance on page II-1 of the Audit Report in light of the figure of \$98,176,910 that is referred to on the bottom of page II-53 of the Audit Report. If any part of the explanation includes any step taken by Liberty that avoided in whole or in part a potential double-count with the \$15.196 million of distribution operations and maintenance expenditures voluntarily made by ComEd in its initial filing in this Docket, and alluded to, for example, in Liberty’s answer to ComEd data request 3.04, then please quantify the extent to which that potential double-count was prevented and please explain the bases of that quantification. Also, if so, please state whether and, if so, how, Liberty’s answer to that data request should be revised or supplemented.

Commonwealth Edison Company  
Review of Liberty's Proposed Distribution O&M Excluding Incentive Compensation Adjustments  
(Dollars in 000's)

|   | Incentive<br>Compensation<br>(1) | Corrected<br>Dist. O&M<br>w/o Incentive<br>Compensation<br>(2) | Total Dist.<br>O&M<br>(3) | Liberty<br>Methodology<br>Dist. O&M<br>w/o Incentive<br>Compensation<br>(4) |   |
|---|----------------------------------|--|---------------------------|---|---|
| <b>ComEd Phase I Proposal</b>   |                                  |  |                           |   |   |
| Expenses (ComEd Ex 4.0 CR, Appendix C, Sch. C-1)  | \$42,865                         | \$385,233  | \$428,098                 | \$385,233   |   |
| Adjustments (ComEd Ex 4.0 CR, Appendix C, Sch. C-2)   |                                  |  |                           |   |   |
| Merger Costs  |                                  | (\$2,275)  |                           | (\$2,275)   |   |
| Incentive Compensation  | (\$2,143)                        |  |                           |   |   |
| 2001 Salary & Wage Adjustment   |                                  | \$7,103  |                           | \$7,103   |   |
| Discontinue Light Bulb Program  |                                  | (\$5,217)  |                           | (\$5,217)   |   |
| Tree Trimming   |                                  | (\$513)  |                           | (\$513)   |   |
| Storm Restoration Costs   |                                  | (\$2,950)  |                           | (\$2,950)   |   |
| Liberty and Vantage Reporting Costs   |                                  | (\$2,098)  |                           | (\$2,098)   |   |
| Expenses less adjustments   | \$40,722                         | \$379,283  | \$420,005                 | \$379,283   |   |
| Allocation to wholesale %   | -0.44%                           | -0.44%   | -0.44%                    |   |   |
| Allocation to wholesale \$ (ComEd Ex 4.0 CR, App. C, Sch A-6)   | <u>(\$181)</u>                   | <u>(\$1,683)</u>   | <u>(\$1,864)</u>          | <u>(\$1,864)</u>  |   |
| <b>Retail Distribution O&amp;M, per ComEd (A)</b>   | <b>\$40,541</b>                  | <b>\$377,600</b>   | <b>\$418,141</b>          | <b>\$377,419</b>  | Liberty applies the entire allocation to wholesale customers to Distribution O&M without Incentive Compensation as illustrated in column 3. Liberty should have applied this allocation on a pro-rata basis to Distribution O&M without Incentive Compensation and Incentive Compensation as illustrated in columns 1 and 2.  |
| <b>Interim Order Proposal</b>   |                                  |  |                           |   |   |
| Proposed Adjustments (Amendatory Interim Order, App A (Rev) Sch 2)  |                                  |  |                           |   |   |
| Tree Trimming   |                                  | (\$4,703)  |                           | (\$4,703)   |   |
| Salaries and Wages & Incentive Compensation   | (\$12,380)                       |  |                           |   |   |
| Storm Restoration Costs   |                                  | (\$5,771)  |                           | (\$5,771)   |   |
| Distribution Salaries   |                                  | (\$9,739)  |                           | (\$9,739)   |   |
| Total Proposed Adjustments  | (\$12,380)                       | (\$20,213)   | (\$32,593)                | (\$20,213)  |   |
| Allocation to wholesale %   | -0.44%                           | -0.44%   | -0.44%                    |   | Liberty's proposal does not reduce the Interim Order Proposal to take into account the appropriate allocation to wholesale customers  |
| Allocation to wholesale \$  | \$55                             | \$90   | \$145                     |   |   |
| Net Interim Order Proposal  | <u>(\$12,325)</u>                | <u>(\$20,123)</u>  | <u>(\$32,448)</u>         | <u>(\$20,213)</u>   |   |
| <b>Retail Distribution O&amp;M, per Interim Order (B)</b>   | <b>\$28,216</b>                  | <b>\$357,476</b>   | <b>\$385,693</b>          | <b>\$357,206</b>  |   |
| <b>Liberty Proposal for Distribution O&amp;M Excluding Incentive Compensation</b>   |                                  |  |                           |   |   |
| 1991 expenses grown at ~ 3.045% annually (Audit Report pg II-53 for Liberty number and Exhibit GC 7.1, Schedule DJE-A-2 for corrected number) |                                  | \$290,348  |                           | \$287,056   | Liberty's proposal uses a base amount in 1991 that contains a mathematical error in the calculation of the hypothetical impact of refunctionalization. In addition, given the limitations of the alternatives available to estimate the hypothetical impact of refunctionalization in 1991, this number should include data from Docket 99-0117 regarding refunctionalization of O&M from transmission to distribution. |
| Pro-forma adjustment for wage increases   |                                  | <u>\$7,103</u>   |                           |   | Liberty's proposal incorrectly excludes the 2001 Wage and Salary Adjustment in its analysis.  |
| Normalized Distribution O&M   |                                  | \$297,451  |                           | \$287,056   |   |
| Allocation to wholesale %   |                                  | -0.44%   |                           |   | Liberty's analysis does not reduce its proposal to take into account the allocation he appropriate allocation to wholesale customers  |
| Allocation to wholesale \$  |                                  | (\$1,320)  |                           |   |   |
| <b>Retail Distribution O&amp;M, per Liberty (C)</b>   |                                  | <b>\$296,131</b>   |                           | <b>\$287,056</b>  |   |
| <b>Adjustment to Distribution O&amp;M, per ComEd (C less A)</b>   |                                  | <b>(\$81,469)</b>  |                           | <b>(\$90,363)</b>   | Net impact of Liberty's errors and omissions is \$8.894 million   |
| <b>Adjustment to Distribution O&amp;M, Interim Order (C less B)</b>   |                                  | <b>(\$61,346)</b>  |                           | <b>(\$70,150)</b>   | Net impact of Liberty's errors and omissions is \$8.805 million   |

Commonwealth Edison Company  
Modifications To Customer Service Adjustments Proposed in Liberty Audit Report  
Operational Excellence  
(In Thousands)

| Description                         | Incremental<br>Jurisdictional<br>Adjustment Per<br>Audit Report | Comments  |
|-------------------------------------|---|---|
| Audit Recommended<br>Disallowance   | \$ 6,020.6  | Page IV-24 of the Audit Report, See<br>Note 1 Below |
| Modification<br>Error               |   |   |
| Other                               | \$ (600)  | See Note 2 Below                                    |
| Costs to Achieve<br>Annual          | \$ -  |   |
| One-Time<br>Implementation          | \$ (599.2)  | See Note 3 Below                                    |
| Severance                           | -   |   |
| Adjusted Amount                     | <u>\$ 4,821.4</u>   |   |
| A&G/ Distribution<br>Related Impact |   |   |
| - Benefits(A&G)                     | \$1,580.8   | Benefits related to the labor disallowance          |
| - Other                             | -   |   |
|                                     | <u>\$1,580.8</u>  |   |
| Capitalized Cost to<br>Achieve      | <u>\$ -</u>   |   |

Notes:

- (1) Made up of \$5,060,000 reduction in O&M expenses and \$960,600 in 2000 consultant costs
- (2) Vehicle cost savings are not incremental to ComEd.
- (3) Made up of one time expenses of \$573,100 in training and severance plus 2000 and 2001 consultant costs of \$1,224,600. The total of \$1,797,700 should be amortized over three years.

Commonwealth Edison Company  
Calculation of Rate Base Adjustments  
ComEd Exhibit 112.1 -- page 12 columns AA - CC  
and  
As modified in ComEd Ex 120.1 -- page 13 columns AA-CC

| Line No.   |  | (\$1000s)<br>Amount                           |
|--|--|---|
| <b><u>ComEd Exhibit 112.1</u></b>                    |  |   |
| 1  | ComEd Exhibit 112.1 , page 12, line 1, columns AA-EE   | \$ 256,002                                    |
| 2  | Audit Report, page III-2, (chart) -- subtotal - Distribution Plant adjustments                     | <u>\$ 363,141</u>                             |
| 3  | Ratio  | <u>70.5%</u>                                  |
| 4  | Audit Report, page III-2, (chart) -- Accumulated Depreciation                                      | \$ 255,242                                    |
| 5  | less: Audit Report, page III-2, (chart) -- unrecorded retirements                                  | 128,371                                       |
| 6  | less: Audit Report, page III-2, (chart) -- new depreciation method                                 | <u>123,821</u>                                |
| 7  | Audit Report, Acc Depr applicable to Distribution adjs, excl line 5 and 6                          | <u>\$ 3,050</u>                               |
| 8  | Acc Depr applicable to Distribution Plant adjs -- ComEd Exh 112.1, columns AA-CC (line 3 * line 7) | <u><u>\$ 2,149</u></u>                        |
| 9  | Audit Report, page III-2, (chart) -- deferred taxes  | <u>\$ 1,628</u>                               |
| 10   | ADIT applicable to Distribution Plant adjs -- ComEd Exh 112.1, columns AA-CC (line 3 * line 9)     | <u><u>\$ 1,146</u></u>                        |
|  |  |   |
|  |  | Columns                                       |
| 11   |  | <u>AA</u> <u>BB</u> <u>CC</u>                 |
| 12   | <b>Distribution Plant(ComEd Ex 112.1, page 12, line 1)</b>   | <u>\$ 1,071</u> <u>\$ 1,821</u> <u>\$ 918</u> |
| 13   | Percent of total   | <u>28%</u> <u>48%</u> <u>24%</u>              |
| 14   | <b>Acc. Depr. (ComEd Ex 112.1, page 12, line 3)</b>  | <u>\$ 604</u> <u>\$ 1,027</u> <u>\$ 518</u>   |
| 15   | <b>ADIT (ComEd Ex 112.1, page 12, line 11)</b>   | <u>\$ 322</u> <u>\$ 548</u> <u>\$ 276</u>     |
|  |  |   |
| <b><u>ComEd Rebuttal testimony Exhibit 120.1</u></b> |  |   |
|  |  | Columns                                       |
| 16   |  | <u>AA</u> <u>BB</u> <u>CC</u>                 |
| 17   | <b>Distribution Plant (ComEd Ex 120.1, page 13, line 1)</b>  | <u>\$ 1,071</u> <u>\$ 1,821</u> <u>\$ 918</u> |
| 18   | Audit Report, Page III-76, Distribution Plant<br>column B  | <u>\$ 7,449</u> <u>\$ 7,449</u>               |
| 19   | column H   | <u>\$ 21,709</u>                              |
| 20   | Ratio  | <u>5%</u> <u>24%</u> <u>12%</u>               |
| 21   | Audit Report, Page III-76, Accumulated Depreciation  |   |
| 22   | column B   | <u>\$ 240</u> <u>\$ 240</u>                   |
| 23   | column H   | <u>\$ 589</u>                                 |
| 24   | <b>Acc. Depr. (ComEd Ex 120.1, page 13, line 3)</b>  | <u>\$ 29</u> <u>\$ 59</u> <u>\$ 30</u>        |
| 25   | Audit Report, Page III-76, ADIT  |   |
| 26   | column B   | <u>\$ 127</u> <u>\$ 127</u>                   |
| 27   | column H   | <u>\$ 89</u>                                  |
| 28   | <b>ADIT (ComEd Ex 120.1, page 13, line 11)</b>   | <u>\$ 4</u> <u>\$ 31</u> <u>\$ 16</u>         |

Commonwealth Edison Company  
Modifications To Customer Service Adjustments Proposed in Liberty Audit Report  
Eliminate Billing Contractor/Overtime  
(In Thousands)

| Description                         | Incremental<br>Jurisdictional<br>Adjustment Per<br>Audit Report | Comments                       |
|-------------------------------------|---|--------------------------------|
| Audit Recommended<br>Disallowance   | \$ 1,700.0  | Page IV-16 of the Audit Report |
| Modification                        |   |                                |
| Error                               | \$ -  | See Note 1                     |
| Other                               | -   |                                |
| Costs to Achieve                    |   |                                |
| Annual                              | \$ -  |                                |
| One-Time                            |   |                                |
| Implementation                      | \$ -  |                                |
| Severance                           | -   |                                |
| Adjusted Amount                     | <u>\$ 1,700.0</u>   | See Note 1                     |
| A&G/ Distribution<br>Related Impact |   |                                |
| - Benefits(A&G)                     | \$ 23.0   | See Notes 2 and 3              |
| - Other                             | -   |                                |
|                                     | <u>\$ 23.0</u>  |                                |
| Capitalized Cost to<br>Achieve      | <u>\$ -</u>   |                                |

Notes:

- (1) There are four other disallowances double counted in the above 1.7 million. They are Document Imaging, Improved Estimating Algorithm, Improved Meter Reading Accuracy and Eliminate No Reads.
- (2) Liberty did not reflect benefits in their labor disallowance.
- (3) ComEd Exhibit 112.2, Schedule 20 did not use the correct benefit loading factor for overtime. 4.18 %, ComEd Exhibit 112.2, Schedule 11, Page 2, is the correct benefit loading factor for overtime.

Commonwealth Edison Company  
Projects Reasonably Expected to be Placed In-Service in Second Quarter of 2001

| Project                          | Estimated Asset Value<br>at Project Completion | Expenditure as of June<br>30, 2001 (Liberty Audit<br>page III-34) | Expenditure as of June<br>30, 2001 | Additional expenditures<br>July - Dec 2001 | Expenditure as of<br>December 31, 2001 | AFUDC adjustments<br>made in 2002 | Expenditure as of December<br>31, 2001 (net of AFUDC<br>adjustments) |
|----------------------------------|--|---|------------------------------------|--|--|-----------------------------------|--|
|                                  | (1)  |   | (2)                                |  |  |                                   |  |
| Kingsbury                        | 66,098,820                                     | 58,846,745  | 58,846,745                         | 3,393,833                                  | 62,240,578                             | (231,821)                         | 62,008,757   |
| Algonquin                        | 19,742,367                                     | 17,577,679  | 17,577,679                         | 1,857,363                                  | 19,435,041                             | (135,758)                         | 19,299,283   |
| North Huntley                    | 3,258,427                                      | 3,108,575   | 3,108,575                          | 66,606                                     | 3,175,181                              |                                   | 3,175,181  |
| Quarry                           | 3,306,683                                      | 3,629,760   | 3,629,760                          | 371,046                                    | 4,000,807                              |                                   | 4,000,807  |
| Garden Plain                     | 1,721,075                                      | 1,874,227   | 1,874,227                          | 44,140                                     | 1,918,366                              |                                   | 1,918,366  |
| Wilmington                       | 7,749,923                                      | 7,719,330   | 7,719,330                          | 1,021,855                                  | 8,741,184                              | (433,485)                         | 8,307,699  |
| Woodstock                        | 2,852,794                                      | 3,004,848   | 3,004,848                          | 512,021                                    | 3,516,869                              | (13,228)                          | 3,503,641  |
| Evanston                         | 2,723,181                                      | 2,490,308   | 2,490,308                          | 63,329                                     | 2,553,638                              |                                   | 2,553,638  |
| The Kingsbury<br>RingBus (Grand) | 18,067,291                                     | 18,143,631  | 18,143,631                         | 54,040                                     | 18,197,671                             |                                   | 18,197,671   |
| <b>Total</b>                     | <b>125,520,561</b>                             | <b>116,395,103</b>  | <b>116,395,103</b>                 | <b>7,384,232</b>                           | <b>123,779,336</b>                     | <b>(814,292)</b>                  | <b>122,965,044</b>   |

Notes:

This analysis excludes Streator.

(1) Estimated value at completion as reported in Exhibit 5.3 in Phase I testimony.

(2) Amounts for projects excluding North Huntley as reported in ComEd's corrected response to Staff data request GEG 1.01. As outlined in ComEd's response to audit data request 640, the amount for North Huntley in GEG 1.01 was understated as \$2,267,254 and should have been reported as \$3,108,575.